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## NEWS RELEASE

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# PSC Grants Smaller Rate Adjustment to Water Service Corp.

**FRANKFORT, Ky. (Nov. 23, 2011)** – The Kentucky Public Service Commission (PSC) today granted Water Service Corp. of Kentucky a rate adjustment that is substantially less than the amount requested by the utility.

Water Service will be allowed to increase annual revenue from its Kentucky operations by \$68,898 (about 3 percent). The company had sought an increase of \$448,723 (22 percent). The PSC cut the requested amount by 85 percent.

Water Service has about 7,300 residential customers in Hickman and Bell counties.

In the Clinton service area in Hickman County, the monthly residential water bill for a customer using 5,000 gallons will increase by \$1.15 (3 percent), from \$38 to \$39.15. For Water Service customers in Middlesboro in Bell County, the monthly residential bill for 5,000 gallons will increase by \$0.70 (also 3 percent), from \$22.70 to \$23.40. The new rates take effect today.

The PSC held meetings in Clinton and Middlesboro in June to take public comments on the proposed rate increase. The formal evidentiary hearing in the case was conducted in Frankfort on July 14.

Water Service had proposed to increase its rates by about 22 percent. For Water Service customers in Middlesboro, the monthly residential bill for 5,000 gallons would have increased by \$4.99, from \$22.70 to \$27.69, under the company's proposal.

In the Clinton service area, the monthly residential water bill for 5,000 gallons was proposed to increase by \$8.31, from \$38 to \$46.31. The sewer rates in Clinton, where the sewer system is operated by Water Service under a contract with the city, are not part of the rate case.

Water Service was last granted a rate increase in November 2009, with rates going up about 29 percent at that time. The company had asked for a 51 percent increase.

In the application it filed in January in the current case, Water Service said that the further increase is needed in large part to pay for administrative functions provided by its parent company, including recordkeeping, customer service and billing for the Kentucky operations.

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The PSC arrived at the smaller increase by mostly disallowing those administrative costs, as well as costs arising from the purchase of associated computer systems and software. The total of those reductions came to \$239,451 – nearly two-thirds of the overall amount requested by Water Service.

In today's order, the PSC explained that the amount going to Water Service's parent company had not been subject to independent review, and thus could not be supported or accepted as reasonable. It reached a similar conclusion with respect to the computer costs.

Today's order, the case file and videos of the public meetings and evidentiary hearing are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2010-00476.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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